

INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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COUNTRY Poland

REPORT

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SUBJECT Military Pricing and Finance in Poland

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A report containing information on military pricing and finance in Poland

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25X1

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SUBJECT: Military Pricing and Finance in Poland PAGES: 3

25X1

2. [redacted] the Monitor Polski in 1955 published a decree dealing with the establishment of prices for goods and services produced by enterprises under the Ministry of National Defense. [redacted] this decree specified 25X1 that prices of such goods and services would be calculated on the basis of costs of production plus a profit of three percent of the costs. He did not know what, if any, exceptions were made to this stipulation insofar as enterprises under the Ministry of National Defense were concerned; however, [redacted] 25X1 enterprises not under the Ministry of National Defense which were producing goods or services for the military were 25X1 allowed to include a profit of five percent of production costs in their price if they themselves supplied the raw materials, and 10 percent if the military supplied the materials. In addition, an enterprise not under the Ministry of National Defense but furnishing a service to the military was allowed to include a profit of 10 percent of costs in its price.
3. [redacted] 25X1 the distinction rested in the fact that whereas Poland was attempting to put its industry, particularly civilian industry, on a profit-and-loss basis, like the Soviet "khózraschet" system, enterprises directly under the Ministry of National Defense were subsidized by the state and did not need to show a profit in order to operate efficiently.
4. Amortization was normally calculated in an enterprise on the basis of an amortization plan worked out each year for each enterprise in coordination with its supervisory organization. [redacted] 25X1 [redacted] The amortization element within the factory price would be included as a percentage of the overhead, along with utilities costs, insurance, and wages of administrative workers.

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-2-

5. Accumulation was the only source of amortization funds for the economy. With respect to enterprises producing for civilian consumption, the Ministry of Finance decided the amount of accumulation each enterprise must produce within the year. The State Pricing Commission¹ established civilian prices in coordination with producing enterprises and by taking into account the accumulation levied against a given enterprise. The amount of accumulation varied, depending on the governmental policy at any given time. For example, prices on clothing for school children were generally kept low for propaganda reasons, and consequently the element of accumulation in such prices was also low. It sometimes happened, when several enterprises produced a given article, that a particular enterprise had to operate at a loss for a time, because the price established by the State Pricing Commission was not high enough to assure the needed accumulation as well as a profit. In such cases, the enterprise operated at a loss until such time as a change in price or an adjustment of the amount of accumulation required was made.
6. Industries producing armaments obtained their investment funds from the allocations to the national economy, since prices established on military goods allowed for no accumulation and these enterprises as a rule not only did not build up their own reserves, but operated at a loss and were subsidized by the government. In general, such enterprises had no revenue, since they operated on the basis of costs of production. Any profits, as for example the three percent mentioned above, remained with the enterprise for disposal as it saw fit.

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9. [redacted] the Ministry of Foreign Trade handled negotiations for obtaining licenses for production of Soviet models of equipment, including military equipment. The producing enterprise usually added two or three percent to its production costs to cover the license fees. [redacted]

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-3-

10. [redacted] the explicit military allocations in the budget were used chiefly for maintenance, reconstruction, repair, and quartermaster-type expenditures in military establishments and enterprises engaged in serial production of military goods; the hidden funds were used for intelligence, research, and development, as well as possibly for the production of highly secret items. [redacted] the main source of these hidden funds were the portion of allocations made to other ministries that were never actually assigned to these ministries. Via their financial plans the various ministries made their requests for allocations from the Sejm. The Sejm, via the approved budget, agreed to certain total sums for the individual ministries, but during the Sejm session permission was given for immediate assignment to the ministries of only a portion of these approved funds; the remainder was to be worked out later in detail. In actual fact [redacted] these remainders were never worked out as stated above but instead were used by the State Council, in coordination with the Sejm Military Commission, for allocation to this or that sector of the military economy as required.

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